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Record year for Spanish swine and cattle production

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Approved By:

Rachel Bickford, Agricultural Attaché

Prepared By:

Carmen Valverde, Agricultural Specialist

Report Highlights:

Spanish swine production has continued an upward trend resulting in the largest EU swine herd and second in EU pork production. This production has resulted in record levels of Spanish pork exports, especially to Asia, making them the third largest pork exporter worldwide after the USA and Germany. Cattle production has also increased in the past few years resulting in increased exports to the Middle East and North Africa. Spain's animal production sector has focused on opening new export markets in order to drive growth.

General Information:

When looking at Spanish swine production it's important to note that there are two distinct product lines. The first is the modern white pig production, intensive and similar to U.S. commercial hog production. The second is the traditional *Jamón ibérico*, a cured ham produced only in Spain.

According to Spain's *Denominación de Origen* rules for food products, *jamón ibérico* must come from pigs that are at least fifty percent from the black Iberian breed. The black Iberian pig lives primarily in the central and southwestern region of the Iberian Peninsula. After weaning, the piglets are fattened on barley and maize for several weeks. The pigs are then allowed to roam in pasture and oak groves to feed on grass, herbs, acorns, and roots, until slaughter. The hams are salted and left to begin drying for two weeks, after which they are rinsed and left to dry for another four to six weeks. The curing process then takes at least twelve months, although some producers cure their *jamones ibéricos* for up to 48 months. *Jamón ibérico* is a high-value gourmet product with a distinctive, nutty, flavor, eaten thinly sliced as an appetizer. Spanish traders successfully used *jamón ibérico* to open markets in Asia, first to this gourmet product, and then to Spanish pork from white pigs. Iberian pigs have a lower birth rate and lower slaughter weight than white pigs, so this lowers Spain's averages for these factors.

According to 2016 Eurostat official data, total swine beginning stocks increased by 6.8 percent, reaching 28,367 thousand heads, continuing the upward trend of the last two years. Breeding sow numbers in 2016 reached 2,504 thousand heads, a 4.6 percent increase, after a prolonged decrease due to sector reorganization after the EU animal welfare regulations. In 2017 breeding sow numbers may decrease due to the growth on piglet/sow efficiency and also to increased hog imports from The Netherlands and Portugal. Pig crop production may continue the upward trend with a rise of around four percent. The overall Spanish piglet/sow ratio is 19-20, but note that the average in the intensive sector is 27 and much lower, around 13, in the Iberian pig sector.

According to the Ministry of Agriculture, Fisheries, Food and Environment (MAPAMA) official data, total swine slaughter in 2016 increased by 4 percent compared to same period last year reaching 47,703 of total swine slaughtered. According to the Spanish swine sector this upward trend will likely continue in 2017 with an estimated increase of four percent to continue supplying the growing markets such as China and Asia.

The Spanish white swine sector is very efficiently structured and integrated resulting in one of the most efficient swine producers within the EU28 with one of the lowest production costs. Within the EU28 Spain best weathered the pork price crisis (very low prices in late 2015 and early 2016) and so is among the first in the EU28 to gain positive profits with the rebound of pork prices.

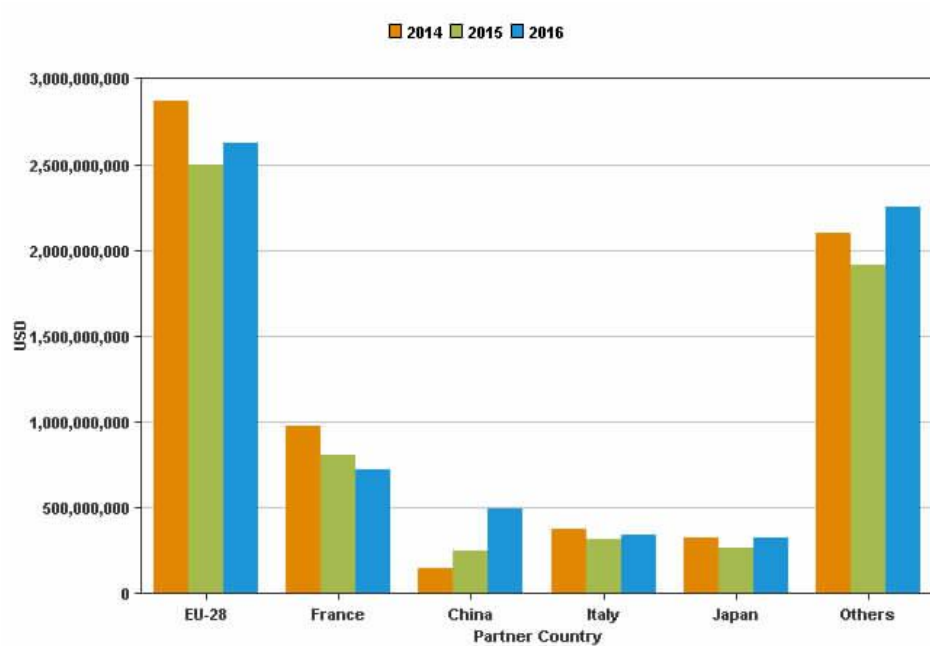
2016 in general was a positive year in pig production as lower feed prices and higher pork demand and increasing Spanish pork exports that may continue the rise in 2017 due to the strong export demand.

In 2015 pork production in Spain continued the upward trend reaching 3.854 million MT, 6.5 percent higher than previous year. According to MAPAMA in 2016, Spanish pork production increased 5 percent compared to last year reaching 4 million MT. During 2017, Spanish pork production may follow the upward trend with another four percent increase in line with total slaughter reaching 4.160 million MT due to global pork demand.

2016 continued the slow recovery of the Spanish economy, and domestic pork consumption may follow this upward trend. The Spanish pork industry is promoting the domestic pork consumption with special focus on children and the health benefits.

The Spanish pork industry passed Denmark to become one of the three major world pork exporters after the U.S. and Germany. According to GTA in 2016 Spanish pork exports increased 19 percent in volume, reaching over 2 million MT valued 16 percent more than previous year with USD 4 billion, with important growth to China, Japan, South Korea, Hong-Kong, Philippines, Taiwan, New Zealand, South Africa, the United States, Singapore, Vietnam, Canada and Eastern Europe. Total Spanish pork exports in 2016 are around 60 percent to EU28 and 40 percent to non-EU countries (**Graph 1**), following the upward trend of Spanish pork exports to non-EU countries. Spanish pork exports to non-EU countries have experience a growth in volume terms of 47.5 percent valued 44 percent more in 2016.

Graph 1. Spanish Pork Exports in USD in 2016

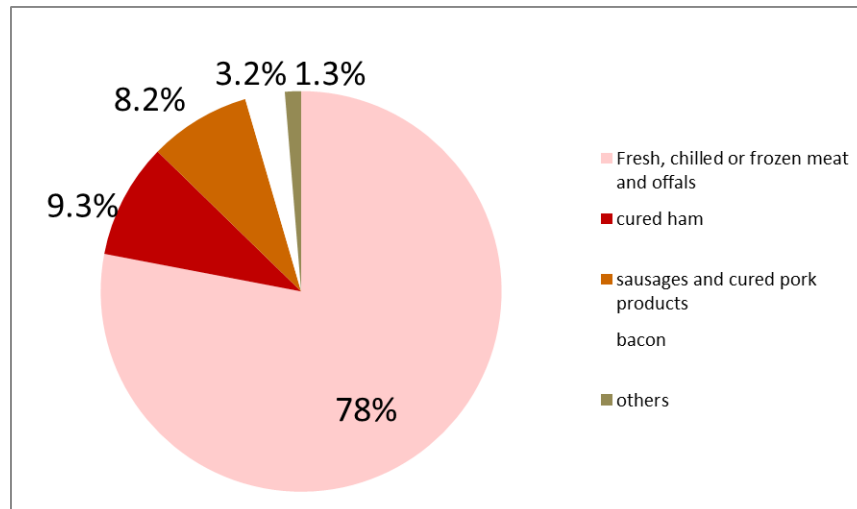


Source: Global Trade Atlas (GTA)

Spanish pork exports to China in 2016 surpassed the traditional Spanish pork markets of France, Italy and Portugal resulting in 2016 in the first destination of Spanish pork in volume and the second one in value after France. In 2016 twenty-eight Spanish establishments were authorized to export pork to China, making China the primary market for Spanish pork. Spain is now the second pork exporter to China, after Germany and followed by the United States. In 2016, Spanish pork exports to China valued USD 498 million with almost 330,000 MT meaning a growth of 98 percent and 96 percent respectively compared with 2015. Spanish Pork products exported to China are frozen meat with USD 520 million and 260,053 MT or up 104 percent, offal with USD 182 million, fat with USD 29 million and cured products with USD 4 million.

The Spanish pork products exported in 2016 in terms of value were 78 percent of the invoicing for fresh, chilled or frozen meat and offal, followed by cured hams with 9.3 percent, sausages and cured pork products with 8.2 percent, bacon with 3.2 percent and others with 1.3 percent (**Graph 2**).

Graph 2. Pork Product Export Values (%)



Source: Interporc

According to Spanish swine and pork association, Interporc, 2016 will be a historic year for the Spanish pork sector with exports of more than two million MT valued at USD 4 billion making it one of the main exporting sectors of the Spanish economy.

Spanish pork exports are growing quickly in Asia as a result of the internationalization procedures that the Spanish swine producers and industry together with the support of the Spanish Government, have implemented to meet the increasing demand in Asia. Spain arrived in the Chinese market one year in advance of the rest of the EU because the Russian ban affected Spain one year before the rest of the EU. Spain took the first to market advantage and sold the image of top-quality Spanish pork in China and rest of Asia. Spain is a customer oriented supplier with a variety of cuts and is quick to adapt to Asian customer specifications. Spanish Iberian pork products are unique and open the market doors to Spanish white pork meat in Asia and in the rest of the world. The success of the Spanish pork is due to several factors such as, the integration of the swine and pork sector, a sector very efficiently structured and integrated with a sustainable and safe production model, specialization in all of the areas of the value chain and the global vision of producing to the world as one market.

According to the Spanish pork industry Spanish pork exports to non-EU countries are estimated to slightly increase during 2017. Mexico, Japan and Thailand mark the beginning of the internationalization plan for 2017. In 2016 Spanish pork exports to Japan increased already a 25 percent in value and a 12 percent in volume terms.

In 2016 Spain continued with the upward trend in cattle production which began in 2014 due to the higher demand from non-EU countries. Experts predict that cattle production will likely increase in 2017.

According to Eurostat, total cattle beginning stocks in January 2016 increased by 1.7 percent, with a five percent growth of beef cattle beginning stocks. Fertility may increase in 2017 calf/cow ratio due to higher feed efficiency and favorable weather conditions.

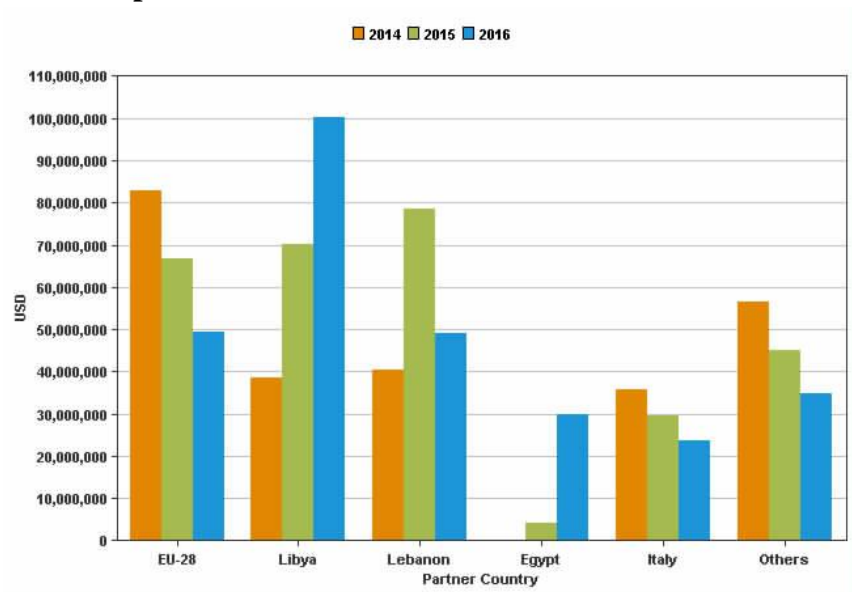
According to last official data of MAPAMA, total cattle slaughter increased by 1.8 percent in 2016 reaching 2,376,882 total cattle slaughtered compared to last year. This upward trend is due to the strong demand from non-EU countries such as Lebanon, Libya and Egypt and the stability of the raw materials prices for animal feed.

In 2016 Spanish live cattle total export value increased 4.5 percent with a decline of 16 percent on total export volume mainly due to the decline in demand in Italy and France but with important growth rates to non-EU countries, namely Libya and Egypt, due to a very competitive quality/price relation and the easy sea transport of Spanish cattle from the Mediterranean ports to the Middle East. Spain is working to open the Israeli and Turkish markets for Spanish cattle. Total Spanish cattle exported in 2016 were 163,549 animals, 25 percent to EU and 75 percent to non-EU countries (**Graph 3**) following the upward trend of Spanish cattle exports to non-EU countries.

According to the Spanish cattle association and due to this positive trend, Spanish cattle and beef production in 2017 may continue following the upward trend of the last 2 years.

In 2016 Spanish domestic beef consumption is stable and will likely continue the same in 2017

Graph 3. Spanish Cattle Exports in USD in 2016



Source: Global Trade Atlas (GTA)

According to MAPAMA, in 2016, Spanish beef production increased 1.8 percent compared to last year, reaching 637,737 MT of beef following the recovery started in 2015, in the same line as total slaughters. According to the Spanish cattle and beef industry, 2017 may continue with this upward trend increasing the beef production approximately another 1 percent.

During 2016 Spanish total beef exports in volume terms increased 3 percent valued almost 6 percent more than previous year with USD 694 million. Spanish beef exports to the EU remained stable while Spanish beef exports to non-EU countries rose 33 percent and may continue in 2017. Spain exports beef mainly to other MS with Portugal, France, Italy and The Netherlands as the main EU28 destination and Algeria, Morocco and Hong-Kong as main non-EU countries experiencing important growth rates. Exports of Spanish cattle to Algeria varied in the last two years from live animals for slaughter to beef meat, increasing then the added value.

Saudi Arabia was the main destination reopened in 2016 and is again demanding beef from Spain thanks to the qualification of Spain as a country with "insignificant risk of Bovine Spongiform Encephalopathy (BSE)". In addition in 2016 Spain opened a new beef market in Indonesia, experiencing an important growth in a short period of time and remaining at the end of 2016 as the fifth Spanish beef non-EU country destination. As for potential new markets, the beef industry points out South Korea, Japan, Vietnam, and especially China.

Spanish beef imports are sourced from the EU, and Brazil and Uruguay as the main extra-EU importers with Paraguay, Argentina or Chile experiencing important growths.

The short-term challenge of the Spanish cattle and beef industry is to market the Spanish beef to non-EU countries in addition to increasing the low domestic beef consumption in Spain.